

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-03 INR-07 IO-13 NEA-10 NSAE-00
USIA-06 OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01
AGRE-00 OMB-01 SS-15 STR-05 ITC-01 CTME-00 /110 W
-----029012 021328Z /43

R 200556Z DEC 77

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TO SECSTATE WASHDC 1899
INFO AMEMBASSY BANGKOK
AMCONSUL BRISBANE
AMEMBASSY BRUSSELS
AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR
AMEMBASSY LONDON
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AMCONSUL PERTH
AMEMBASSY PORT MRESBY
AMEMBASSY SINGAPORE
AMCONSUL SYDNEY
AMEMBASSY TOKYO
AMEMBASSY WELLINGTON

C O N F I D E N T I A L CANBERRA 8434

USEEC

USOECD

E.O. 11652: GDS

TAGS: EGEN, ETRD, AS

SUBJECT: AUSTRALIAN ELECTIONS: TARIFFS

1. SUMMARY: PRIME MINISTER FRASER APPEARS TO HAVE SEIZED

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UPON PROTECTIONISM AS A RISK-FREE ISSUE WITH WHICH TO ATTACK
HIS LABOR PARTY OPPONENTS IN THE AUSTRALIAN NATIONAL ELECTIONS.
THOUGH FRASER HAS CAREFULLY AVOIDED BREAKING NEW GROUND, THE
IMPETUS OF CAMPAIGN RHETORIC MAY ULTIMATELY LEAD HIM TO MORE
TANGIBLE INITIATIVES. END SUMMARY.

2. FRASER GOVERNMENT'S POSITION ON PROTECTION FOR LOCAL

INDUSTRY HAS SLOWLY EVOLVED IN DIRECTION OF PROTECTIONISM. THIS EVOLUTION HAS BEEN ENCOURAGED BY RISING UNEMPLOYMENT LEVELS UNDER FRASER GOVERNMENT, COUPLED WITH CLEAR POLITICAL NEED TO DO SOMETHING ABOUT IT. COUNTERING THIS, HOWEVER, HAS BEEN FACT THAT WEIGHT OF INFORMED AUSTRALIAN ECONOMIC OPINION IS CLEARLY AGAINST HIGHER LEVELS OF PROTECTION, ALONG WITH AN IMPORTANT ELEMENT IN LIBERAL/COUNTRY PARTY CONSTITUENCY, THE RURAL SECTOR.

3. BECAUSE OF CONSIDERABLE RESPECT IN WHICH INDEPENDENT-MINDED INDUSTRIES ASSISTANCE COMMISSION (IAC) IS HELD, AND ITS HARD-HITTING AND PROFESSIONALLY COMPETENT ANALYSES ADVOCATING STRUCTURAL READJUSTMENT THROUGH REDUCED LEVELS OF PROTECTION, FRASER GOVERNMENT'S OVERT ACTIONS HAVE BEEN DIRECTED MOSTLY AT IAC. MOST RECENTLY, IAC REPORT ON CLOTHING, FOOTWEAR, AND TEXTILES CAUSED GOVERNMENT TO SEEK VERY BLUNTLY TO REDIRECT IAC'S FOCUS TOWARDS PRESERVING EMPLOYMENT LEVELS.

4. THOUGH FRASER GOVERNMENT HAS BEEN INCREASINGLY RECEPTIVE TO INDUSTRY REQUESTS FOR ASSISTANCE, THE LEGAL TERMS OF REFERENCE FOR BOTH THE TEMPORARY ASSISTANCE AUTHORITY (TAA - THAT BODY WHICH RECOMMENDS LEVELS OF TEMPORARY ASSISTANCE TO INDUSTRIES IN DIFFICULTY) AND THE IAC HAVE LIMITED THE GOVERNMENT'S SCOPE CONSIDERABLY. IN FACT, IF ONE ALLOWS FOR POST-DEVALUATION TARIFF CUTS WHICH TOOK PLACE IN JANUARY

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1977, FRASER GOVERNMENT CAN ROBABLY BE SAID TO HAVE REDUCED THE AVERAGE LEVEL OF PROTECTION SINCE IT ASSUMED OFFICE.

5. NEVERTHELESS, IN PAST TWO DAYS PM FRASER HAS TWICE PROCLAIMED LIBERAL PARTY POLICY TO BE ONE OF PROTECTING INDUSTRY AND JOBS BY "GIVING AUSTRALIAN INDUSTRY THE PROTECTION IT NEEDS." HE HAS CITED AS EVIDENCE OF LIBERAL ACHIEVEMENTS THE INCREASED PROTECTION GIVEN TO MOTOR VEHICLES, CLOTHING AND TEXTILES, FOOTWEAR, AND PLYWOOD; THE REJECTION BY THE GOVERNMENT OF THE IAC REPORT ON TEXTILES, CLOTHING, AND FOOTWEAR, WHICH HE CHARACTERIZED AS DISASTROUS; AND THE GOVERNMENT'S TIGHTENING OF ITS BUY AUSTRALIA POLICY.

6. PRIME MINISTER CONTRASTED LIBERALS WITH LABOR BY CHARACTERIZING LABOR AS A FREE TRADE PARTY READY TO SACRIFICE JOBS BY ENCOURAGING IMPORTS TO UNDERCUT AUSTRALIAN MANUFACTURERS. HE SOUGHT TO PIN PRESENT UNEMPLOYMENT ON LABOR PARTY'S JUNE 1973 ACROSS-THE-BOARD 25 PERCENT TARIFF CUT, SUGGESTING THAT MR. WHITLAM PUT TENS OF THOUSANDS OUT OF WORK WITH A STROKE OF HIS PEN. HE SUGGESTED THE LABOR PARTY WAS "OBSESSED" WITH REDUCING PROTECTION.

7. THE PRIME MINISTER'S EFFORTS TO PORTRAY THE LIBERALS AS PARTY OF PROTECTION IS LIKELY TO BE GOOD CAMPAIGN POLITICS. THOUGH IAC STUDY DEMONSTRATED RATHER EFFECTIVELY THAT LABOR'S 25 PERCENT TARIFF CUT HAD MINOR IMPACT ON COMPETITIVENESS OF AUSTRALIAN INDUSTRY, MUCH OF GENERAL PUBLIC AND BUSINESS COMMUNITY REMAIN CONVINCED OF THE CONTRARY.

8. NEVERTHELESS, WHILE FRASER'S HEART IS NO DOUBT IN HIS STATEMENTS FAVORING PROTECTION, HE HAS SO FAR CAREFULLY AVOIDED ANY SPECIFIC COMMITMENTS TO POST-ELECTION INITIATIVES. THIS CAUTION UNDOUBTEDLY REFLECTS THE CONSTRAINTS ON PROTECTIONIST MOVES WHICH REMAIN A REALITY. DESPITE THIS, ADOPTION OF PROTECTIONISM AS COUNTER TO LIBERAL VULNERABILITY OVER UNEMPLOYMENT MAY WELL GENERATE ITS OWN MOMENTUM. AT
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THE VERY LEAST, ANY LINGERING DOUBTS AS TO WHETHER LIBERAL GOVERNMENT MIGHT CONTINUE ITS LUKE-WARM SUPPORT FOR EVENTUAL RESTRUCTURING OF AUSTRALIAN ECONOMY WOULD SEEM TO BE LAID TO REST. ALSTON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ELECTIONS, TARIFFS
Control Number: n/a
Copy: SINGLE
Sent Date: 20-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977CANBER08434
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770447-0753
Format: TEL
From: CANBERRA USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t197712101/aaaadhzd.tel
Line Count: 140
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 0cdcccfb-c188-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 24-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 106707
Secure: OPEN
Status: NATIVE
Subject: AUSTRALIAN ELECTIONS: TARIFFS
TAGS: EGEN, ETRD, AS
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/0cdcccfb-c188-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009